



THE HON CHRIS BOWEN MP
MINISTER FOR CLIMATE CHANGE AND ENERGY

MS26-000569

Ms Anna Collyer
Chair
Australian Energy Market Commission
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Dear Ms Collyer

Please find attached a rule change proposal to amend the National Energy Retail Rules to introduce a new principles-based rule requiring retailers and distributors to take steps to engage with customers in a way that meets their needs.

This change was recommended by the Energy and Climate Change Ministerial Council (ECMC) which, on 8 May, agreed that I submit the attached rule change request to the Australian Energy Market Commission (AEMC) in my capacity as Chair of ECMC. This rule change request forms part of a broader package of recommendations put forward in the Australian Energy Regulator's (AER) *Review of payment difficulty protections in the NEC (the AER's Review)*.

The proposed rule seeks to uplift the general standard for retailer engagement with customers. This is to ensure that retailers not only comply with minimum engagement standards, but also make best efforts to tailor, where practicable, their engagement and communication practices to the individual needs and circumstances of customers.

Although this proposed change originates from the AER's Review which focused on customers experiencing payment difficulty, it is intended to apply to all customers. This will support retailers and customers to resolve debt early on, avoid unnecessary disconnections, and proactively support customers experiencing vulnerability.

This rule change is intended to operate in conjunction with existing rules and guidelines, including other forthcoming rule changes arising from the AER's Review.

I endorse this rule change request and ask that the AEMC progress with its initiation.

Yours sincerely

CHRIS BOWEN

Enc Rule Change Proposal

Requiring retailers and distributors to engage with a customer in a way that meets their needs

Request to make a rule

Name and address of the person making the request

The Honourable Chris Bowen MP
Minister for Climate Change and Energy
Parliament House Canberra ACT 2600

Statement of Issue

Australia's energy market is growing in complexity, driven by a combination of factors including increasingly diverse retail offerings, multifaceted tariff structures, and the growth of consumer energy resources (CER)¹ and new energy services.² Together, these developments are fundamentally changing how consumers interact with the energy sector. In this context, it is essential that customers receive clear, accessible communication that is tailored to reflect individual needs, preferences and circumstances. Without this, many will struggle to understand their options, entitlements and protections at critical moments, limiting their ability to engage confidently in the energy market.³ Additionally, existing communication gaps may continue to widen, leaving vulnerable, disengaged, and customers in hardship further behind.

Currently, the National Energy Customer Framework (NECF) is largely focussed on prescriptive engagement obligations and activity-based compliance activities for the supply and sale of traditional energy from the grid. This typically includes information disclosure to satisfy explicit informed consent requirements,⁴ complying with the Australian Energy Regulator's (AER) guidelines for bill presentation,⁵ and meeting strict

¹ CER products include technologies that allow households and businesses to generate, store and manage energy (e.g. rooftop solar panels, battery storage systems and electric vehicles).

² New Energy Services include innovative offerings that allow households to trade energy, optimise usage and participate in the dynamic energy market, typically building on CER assets to deliver greater value (e.g. virtual power plants, behind the meter battery, demand response programs, Home Energy Management Systems (HEMS), Vehicle-to-Grid (V2G), Energy-as-a-Service (EaaS) business model).

³ The [C3 Insights and Opportunities Report \(2025\)](#) highlights some of the changing needs of information provisions due to uptake of CER and new energy services.

⁴ For example, s 38-42 of the NERL mandates that retailers obtain explicit informed consent for specified transactions - such as transferring a customer from another retailer or entering into a market retail contract - only after clearly, fully and adequately disclosing all matters relevant to the customer's consent, and require consent to be given in prescribed forms (written, verbal or electronic) and supported by a verifiable record retained for at least two years.

⁵ Similarly, the NECF imposes prescriptive requirements on customer communication through the AER's *Better Bills (Billing) Guideline*, requiring specified information using standardised wording, placement and

notification timeframes for benefit changes or upcoming disconnections.⁶ This current approach to the rules assumes a one-size-fits all engagement approach will benefit customers and is not reflective of real customer circumstances. The difference between what is legally required, and customer-centred engagement that results in good outcomes, leaves many customers without meaningful assistance until their situation has escalated.

Since the introduction of the NECF, our understanding of customers, their behaviour and preferences, and the diversity of different customer cohorts and the barriers they face has grown significantly. New technologies, software and data collection methods are also improving awareness of how customers use energy. For example, the prevalence of smart meters has given rise to more granular visibility of customer usage patterns.⁷

Retailers also increasingly have more advanced analytic and machine-learning tools to detect payment behaviour, vulnerability indicators and customer needs that can support them to more effectively evaluate and improve their engagement practices to create more positive customer experiences and outcomes.⁸ This growing evidence base is driving a range of regulatory reforms aimed at improving customer outcomes.

This rule change request proposes the introduction of a principles-based rule **‘requiring retailers and distributors⁹ to take reasonable steps to engage with a customer in a way that meets their needs.’** The intention of this rule change is to require retailers and distributors covered by the NECF to respond effectively to the diversity of customer needs and make use of a more sophisticated evidence base of consumer behaviour to support more tailored, accessible and effective engagement approaches. While CER forms part of the broader market context and is contributing to growing market complexity, this rule change is only intended to cover retailers and distributors in their provision of traditional energy services, which are already regulated under the NECF.

Rather than relying on frequent amendments to rules and guidelines to address discrete issues and changes to the market, a principles-based rule could uplift the overall quality

hierarchy, including mandatory “Better Offer” messages and Tier 1 information that must appear on the first page of a bill, with strict rules around formatting and presentation.

⁶ NERR r 48A and NERR r 108.

⁷ The national smart meter rollout aims for every NEM customer to have a smart meter by 2030.

Additionally, in a [final rule](#) from AEMC all new smart meters installed from 30 November 2028 to have the capability to wirelessly communicate real-time data accessible to customers.

⁸ AER Review of payment difficulty protections in the NECF - Consultation Report (May 2025) identified that some retailers, such as AGL, use insights from customer data to proactively identify customers who may be experiencing payment difficulty. Stakeholder feedback indicates growing momentum for this to be more widely adopted by retailers.

⁹ This rule change request also applies to distributors where they directly engage with customers. While distributors typically engage with customers less frequently than retailers, they do so at key points - such as prior to disconnection or during supply interruptions - where quality, clarity and accessibility of customer engagement is still critical. However, for the purposes of this request, references to “retailers” are intended to include distributors unless otherwise specified.

of a retailer's engagement with a customer, by requiring retailers to take reasonable steps to understand and tailor their approach to the customer's needs. A principles-based obligation can also be supported through a guidance note, issued by the AER, which is a more responsive approach to a rapidly changing environment. Together, this offers more flexibility that is important in a fast-changing energy landscape, reducing the need for frequent amendments which is both time-consuming and adds regulatory burden for industry who needs to keep up with the constant changes.

This rule change request is particularly important in the current context of the unfolding energy crisis and increased pressures on the cost of living which are likely to exacerbate customer hardship and see a rise in the numbers of customers needing to access hardship support. Energy Ministers are committed to supporting consumers through this difficult period. This rule change will ensure retailers are engaging with their customers in a meaningful and supportive way.

Areas of the NECF where customer-centred engagement is needed

Creating a more customer-centric approach to retailer-engagement practices is particularly needed in areas where the rules focus heavily on process-driven information disclosure but provide limited expectations around the resulting customer outcomes. This includes areas such as marketing, billing, hardship interactions, connection and disconnection processes (**Appendix A** sets out some examples for the AEMC to consider) where ineffective communication is a core barrier to achieving positive customer outcomes.

One example of this is at the point of marketing for the sale of energy. The National Energy Retail Rules (NERR) require retailers to disclose certain information in the form of a single written disclosure statement to the customer, before they enter into a market retail contract. This statement is required to cover information such as applicable prices, charges and benefits, early termination payments and penalties, security deposits, service levels, concessions and rebates, billing and payment arrangements and how the customer will be notified when/if the terms change after a contract has been formed (including notification of price changes).¹⁰

Despite being very prescriptive about what information needs to be provided at this point in time, there is no obligation for retailers to present information in an easy to understand format (e.g. using plain English), to check for customer comprehension or to clarify points where needed. Additionally, there is no requirement for retailers to tailor communication methods based on customer needs (e.g. cultural and linguistic needs), or to use best efforts to ascertain and use a customer's preferred method of communication.

¹⁰ NERR r 64.

While the prescriptive information requirements are intended to ensure customers receive the most important information at appropriate points, they can influence how retailers approach customer communication in practice. In some circumstances, the emphasis on meeting specific requirements may encourage a more compliance-focused approach, which can reduce flexibility in how information is prioritised or tailored to an individual customer's needs. There is a risk that, if the rules are applied in a rigid or cumulative way, they can contribute to information overload and reduced engagement, rather than triaging information where it could be more effectively provided through different channels or at a later stage.

Another area where a principles-based rule could improve customer outcomes is the strict timing and sequencing obligations in several parts of the NERR. An example of this is the requirement to issue a benefit change notice no earlier than 40 business days and no later than 20 business days before the benefit change date, or to notify customers of tariff changes at least 5 business days before they take effect.¹¹ While these rules play an important role in ensuring procedural fairness and consistency, the primary focus is on when information is provided rather than whether the customer has received and is likely to reasonably understand and act on the information. In practice, this can mean that compliance with notice periods does not always translate into effective customer engagement, particularly where customers have different communication needs or may benefit from information being reinforced, delivered differently, or provided closer to the point of decision.

The introduction of an overarching principles-based rule, alongside the streamlining of existing prescriptive engagement rules would better support retailers to engage with customers in a way that promotes comprehension, accessibility and informed decision-making, while still meeting the underlying consumer protections objectives of the framework.

Evidence of poor customer outcomes arising from these limitations

In response to the AER's *Review of payment difficulty protections in the NECF (PDR)*, retailers noted that the current prescriptive rules require frontline staff to provide information about all forms of assistance at once, rather than triaging or phasing the information, an approach they think would be more effective.¹² They argued that excessive 'tick box' requirements limit and reduce the effectiveness of customer engagement.¹³ Because non-compliance with disclosure and timing requirements

¹¹ NERR r 48A.

¹² AER Review of payment difficulty protections in the NECF - Consultation Report (May 2025), pg. 15-16.

¹³ AER Review of payment difficulty protections in the NECF - Consultation Summary (Workshop 1- Energy businesses) (19 June 2024).

carries significant civil penalty consequences,¹⁴ retailers often place strong emphasis on set call scripts, standardised letters and prescriptive processes to manage regulatory risk. While these tools can sometimes be useful to support consistency and accuracy, their rigid application can reduce the scope for frontline staff to exercise judgement or tailor communications to support customer comprehension and engagement.

Further, stakeholder feedback from the AER's *Voices for Power Listening Session* reinforces that a one-size-fits all approach is not effective, particularly for culturally and linguistically diverse (CALD) communities.¹⁵ Standardised, long-form written materials and technical terminology are poorly received and often not understood. Combined with language barriers, long wait times and low confidence engaging with retailers, many customers miss essential support or are unable to act on important information. Stakeholder feedback from the AER's PDR indicates that effective engagement occurs when a retailer takes into account customers' lived experiences and provides them with information that supports agency and action.¹⁶

The current engagement model is translating into observable gaps in support. For example, findings from the AER's PDR reveal there is a persistent delay in when, how and to whom assistance is offered, indicating that earlier touchpoints are being missed. According to the *AER's Annual retail markets report 2024-25*, some customers continue to accrue substantial debt before receiving help. In 2024-25, average debt on entry to hardship programs was \$ 2,102 for electricity and \$947 for gas.¹⁷ Further, over half (55%) of customers entering hardship programs had debt older than six months, showing that customers are not receiving assistance when they need it the most.¹⁸ Notably, even when customers do receive assistance, many are disconnected within 12 months of being on a payment plan (36% of electricity disconnections and 29% of gas disconnections in 2023–24, with comparable data for 2024-25).¹⁹

Similar issues are evident beyond hardship, highlighting more systemic challenges in how customers engage with the energy market. The Australian Competition and Consumer Commission (ACCC) has found that 36.5% of customers (nearly 2.5 million customers) were paying prices at or above the default market offer.²⁰ Analysis by Energy Consumers Australia has also identified the complexity of electricity plan information as

¹⁴ Many of these disclosure and sequencing requirements are civil penalty provisions under the NECF (i.e. failing to adhere to the de-energisation process is a Tier 1 civil penalty, while failing to give required notice on tariff changes or failing to review a bill on request is a Tier 2 civil penalty).

¹⁵ AER Review of payment difficulty protections in the NECF - Consultation Summary Voice for Power listening session (23 July 2024).

¹⁶ AER Review of payment difficulty protections in the NECF - Consultation Summary (Workshop 1- Energy businesses) (19 June 2024).

¹⁷ AER Annual retail markets report 2024-25, pg. 93 (graph indicates).

¹⁸ AER Annual retail markets report 2024-25, pg. 87-88.

¹⁹ AER Annual retail markets report 2023-24, pg. 103.

²⁰ ACCC Inquiry into the National Electricity Market December 2025 Report, pg. 26

a commonly cited barrier to switching, with consumers reporting that electricity plans are harder to compare than those for other utilities.²¹ Together, this suggests that the way information is currently delivered does not consistently translate into informed choices or action, particularly with the diversity of customer energy literacy, language needs and communication preferences.

These findings support the need for rules that enable more flexible, customer-centred engagement. The growing complexity of the energy market, alongside a diverse range of customer needs and circumstances, means retailer communication to, and engagement with, customers' needs to be tailored, contextualised and responsive. While this rule change proposal is not intended to improve customer switching rates, more effective communication and engagement can help reduce common barriers to effective customer engagement such as information comprehension, information overload which mean customers can engage in effective decision making to compare retailer offers and seek assistance when needed.

Description of the proposed change

Proposed scope of the rule

Borne out of the AER's *Review of payment difficulty protections in the NECF (PDR)*, this rule change seeks to progress Opportunity 4 from the final report, which is to introduce a new rule requiring retailers take steps to engage with customers in a way that meets their needs. While the PDR focuses on strengthening protections for customers experiencing hardship and payment difficulty, Opportunity 4 extends beyond this cohort by proposing a rule that applies to all customers.

This reflects a key finding of the review – that customers need to be able to understand what assistance is available to them before they accumulate debt or are formally identified as experiencing payment difficulty or hardship, as good engagement from the outset builds trust and confidence in the customer, allowing them to feel more supported and willing to reach out for help when and if they require it. By applying this higher standard engagement obligation to all direct customer interactions, the rule is intended to encourage a more proactive and preventative approach – supporting a clearer provision of information, earlier understanding of customer needs (including identification of vulnerability), and a more tailored response to assisting the customer before issues escalate to significant debt or disconnection.

Importantly, by not limiting the principles-based rule to any prescribed scenarios or forms of engagement, the framework is able to remain flexible and adaptable to support customers making well-informed decisions as they navigate an increasingly complex energy market resulting from the unfolding energy transition. This approach places more

²¹ [ECA - Simplicity doesn't equal higher engagement](#), October 2025.

emphasis on fostering and monitoring positive customer outcomes, rather than simply meeting activity-based regulatory requirements. We propose that this rule apply to any direct engagement between small customers and their retailers and distributors, noting the key engagement points in which both retailers and distributors (e.g. when they issue disconnection warning notices or manage supply interruptions) have with customers. However, we recommend that this suggested scope should be tested through the AEMC's rule change consultation process.

Proposed wording of the rule

Specifically, this rule change request seeks to introduce a principles-based rule requiring energy businesses to take a customer's needs into account when engaging with them, to be added to the NERR Part 2 Division 9, Rule 55A (Other retailer obligations) which applies to retailers, which can then be mirrored in Part 4 (Relationship between distributors and customers) to apply to distributors, where appropriate. The rule should act as an overarching interpretive lens on the existing engagement obligations, applying to all forms of direct engagement – including letters, emails, SMS, phone calls, live chats, in-person conversations and other personalised account-related messages.

Depending on the feedback from stakeholders, this new rule could take the form of one single overarching rule, or it could be designed as several rules which pertain to different engagement obligations, similar to some of the engagement obligations under the *Assistance for customers affected by family violence (NERR Part 3A)*.²² Some examples the AEMC may wish to consider as a reference point in designing the rule include the *AER Better Bills Guideline (Section 20)*,²³ *Ofgem's Consumer Standard (SLC 31G.3A)* and accompanying guidance,²⁴ *Victorian ESC Payment Difficulty Guideline*²⁵ and *AER's Customer Engagement Toolkit*.²⁶ These domestic and international examples

²² Part 3A includes a range of principles-based engagement rules. This includes rules ensuring: any affected person is identified and engaged appropriately and effectively (r 76B), retailers implement a process that provide effective ongoing engagement (r 76C), retailers take reasonable steps to identify a customer's preferred method of communication (r 76H), and retailer takes into account a customer's personal circumstances in any dealings with them (rule 76D).

²³ AER Better Bills Guideline (Version 2) (January 2023), s 20 which includes design principles that require retailers to apply practices shown to enhance customer comprehension, supported by non-exhaustive examples.

²⁴ Ofgem's Consumer Standards SLC 31G.3A requires retailers to take action to determine customers' needs. To do so, it is expected that the supplier regularly reviews their methods of contact with customers experiencing payment difficulty, especially where those methods are ineffective in preventing disconnection.

²⁵ Essential Services Commission Victoria's Payment difficulty Framework Guideline cl 1.1.6 provides an obligation to act fairly and reasonably, having regards to customer circumstances, which is used as an interpretive lens to strengthen prescriptive requirements.

²⁶ AER Customer Engagement Toolkit – [Better practice for identifying and supporting consumers experiencing vulnerability \(February 2025\)](#).

may help inform the development of the rule, noting that differences in market conditions, market structure and broader legislative approaches may warrant a different or adapted regulatory response.

Box A – Proposed rule change below sets out an example for how this rule could be worded:

Option A – one principles-based rule (based on Opportunity 4 in AER’s PDR)

“A retailer [and distributor] must take [reasonable] steps to engage with a [small] customer in a way that meets their needs.”

Option B – one principles-based rule (using wording from Part 3A r 76B and 76D – Assistance for customers affected by family violence)

“A retailer must, in any dealing with a customer take into account the particular circumstances of the customer and ensure any customer is engaged appropriately and effectively.”

Option C – one principles-based rule + several rules covering different aspects of engagement (similar to Part 3A – family violence protections)

“A retailer must, in any dealing with a customer take into account the particular circumstances of the customer and ensure any customer is engaged appropriately and effectively.”

To complement this overarching rule, we propose introducing several customer-centric engagement rules that require a retailer to:

- implement a process that provides effective ongoing engagement.
- take reasonable steps to identify a preferred method of communication.
- use its best endeavours (including multiple channels and attempts) to contact a customer to inform them of key information.
- have regard to the circumstances in any dealings with the customers.
- take reasonable steps to ensure a customer understands the information provided to them.

Given the flexibility that a principles-based rule provides, and thus the potential for different interpretations by retailers of this new rule, we recommend it be supported by a non-binding standalone AER guidance note, similar to the family violence guidance note for energy retailers.²⁷ Such guidance would clearly articulate the regulatory intent of the rule, provide practical examples of appropriate engagement, and promote transparency and consistency in its application.

Individual customer complaints would continue to be considered by energy ombudsmen on a case-by-case basis, with reference to the guidance note when assessing whether the engagement obligation has been met in the customer’s specific circumstances and whether a customer remedy is appropriate.

²⁷ [Family Violence Rules: Guidance for Energy Retailers](#) (12 February 2025).

More systemic or serious concerns – such as clear or repeated failures to meet the engagement obligation – would continue to be regulated by the AER, informed by ombudsman referrals, retailer or distributor self-reporting, or audits. This would enable the AER to assess whether there is evidence of broader non-compliance with the rule, and where appropriate, consider the use of civil penalties or other enforcement action.

This guidance note could include the following examples of appropriate engagement to aid the interpretation of whether the retailer has fulfilled these obligations:

- Identifying and using communication methods that are appropriate to a customer's needs and circumstances, including regularly reviewing methods of contact to ensure appropriateness, especially where contact hasn't been successful in the lead-up to disconnection.
- Making reasonable attempts to contact the customer using more than one communication channel, where initial contact attempts are unsuccessful.
- Providing information in a way that is accessible, clear and easy to understand for the individual customer, including adjusting for any known accessibility, language or vulnerability considerations (such as offering interpreter or language support services).
- Taking steps to confirm a customer's understanding of key information and providing opportunities for customers to seek clarification where needed (e.g. chat-boxes for customers to ask questions, a button to confirm understanding or option for information to be explained further, more varied ways of explaining information made readily available).
- Proactively seeking information from customers to support retailers in tailoring communication practices to individual needs and circumstances, particularly where there are signs that a customer has not understood key information.
- Keeping records to demonstrate fulfillment of these standards based on concerted efforts to collect, monitor, analyse and respond to customer information relating to individual preferences and circumstances.

Review of the existing engagement rules

To give full effect to this new rule, the AEMC may wish to consider amendments to the broader suite of engagement obligations to simplify, to remove redundant existing requirements and to consider where the prescriptive rules could be simplified to provide retailers with greater flexibility to adopt a tailored, customer-centric approach. For example, if the new engagement rule is designed in a similar way to the engagement obligations under the family violence provisions, it may be appropriate to remove these requirements to avoid duplication obligations within the NECF. This should be

undertaken only insofar as it will improve customer outcomes and does not result in a reduction in overall customer protections. The AEMC will also need to consider the AER's current Retail Guideline Review which will see the final combined guidelines released in September 2026, consolidating and simplifying the existing customer protection guidelines (including the Benefit Change Notice Guideline, Better Bills Guideline, Customer Hardship Policy Guideline and Retail Pricing Information Guidelines) into a single, easy-to-use document.²⁸

How the proposed rule change will address the issue:

The proposed rule seeks to address limitations in the current engagement framework by lifting the general standard for how retailers and distributors engage with customers. By introducing a principles-based obligation, the rule would shift the focus from complying with the minimum 'red-letter law' to focusing on the needs of the individual customer and tailoring their practices to maximise opportunities to improve customer understanding and good outcomes. This approach is intended to ensure information is effectively delivered to the customer and likely to be understood, enabling all customers, but particularly those who may experience vulnerability, to have the confidence to make informed decisions and seek assistance when needed, thereby mitigating the likelihood of falling into debt and avoiding unnecessary disconnections.

The objectives of this rule change request are to:

- Strengthen the effectiveness of existing engagement obligations by improving the overall standard of customer engagement. This would make current obligations for retailers to provide information at specific times more meaningful and impactful.
- Shift the focus from mere compliance with procedural requirements to promoting good customer outcomes, by encouraging retailers to develop best practice engagement processes that can be tailored to individual customers, through data-driven analysis, testing and feedback loops.

This rule change proposal is intended to complement existing AER rules and guidelines – including the new guidelines released through the *AER's Retail Guideline Review*. It also sits alongside other rule change requests that have been submitted by the AER that will also involve changes to retailer engagement obligations.²⁹

²⁸ AER Retail Guideline Review [Retail guidelines review | Australian Energy Regulator \(AER\)](#).

²⁹ Payment difficulty review rule change requests – 19 December 2025 [Payment difficulty review rule change requests | Australian Energy Regulator \(AER\)](#).

How the proposed rule change will likely contribute to the achievement of the National Energy Retail Objective

The National Energy Retail Objective (NERO) as stated in the National Energy Retail Law (NERL) is:

“to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to:

- a. price, quality, safety, reliability and security of supply of energy; and
- b. the achievement of targets set by a participating jurisdiction—
 - i. for reducing Australia's greenhouse gas emissions; or
 - ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”

This proposed rule change would contribute to the achievement of objective (a) – the promotion of price, quality, safety, reliability and security of supply of energy. This rule change seeks to strengthen the customer’s ability to navigate the end-to-end retail experience with greater confidence, supporting more customer participation, where desired, in an increasingly complex market.

By requiring retailers to engage customers in a way that is accessible, inclusive and tailored to individual needs, this rule is intended to strengthen customer trust in energy businesses. Improved engagement practices include taking appropriate steps to support a customer’s understanding of their rights, options, costs and energy usage, including information on a retailers ‘best offers.’

This in turn can improve confidence in customers to engage with retailers and could increase the likelihood of customers reaching out earlier when facing payment difficulty and may increase switching to more suitable or lower cost offers. This could potentially support the NERO price outcomes by reducing cross-subsidisation arising from unpaid debt, disconnections, and recovery costs that are ultimately borne by other customers.

However, requiring retailers to implement more tailored engagement practices may also increase their implementation and operational costs, creating a risk that these costs could be passed to customers. To mitigate this risk, the AEMC may wish to consider a range of design and implementation strategies that support regulatory certainty and efficient compliance and that help ensure any benefits of improved engagement are delivered without contributing to increases in consumer bills (e.g. an AER guidance note).

Expected benefits, costs and impacts

Benefits

For customers:

- a higher standard of engagement that enables customers to make more informed decisions and encourages timely access to assistance, regardless of which retailer a customer chooses.

- a more tailored and personalised approach to communication and support that reflects the customer's individual needs, including cultural, language and disability requirements, where these can be reasonably known by a retailer.

For retailers:

- greater flexibility to tailor interactions to customer needs, reducing time spent meeting detailed compliance requirements and enabling more practical outcomes-focussed decision making.
- potential for fewer ongoing rule changes and prescriptive updates given the flexibility this introduces, resulting in less frequent revisions to retailer policies, systems and notices, which can improve overall operational efficiency and lower compliance costs.
- through implementing more tailored engagement practices, retailers can be more empowered to understand how to support their customers and achieve positive outcomes. This in turn could potentially reduce the likelihood of bad debt (i.e. debt that customers can never pay off), improving customer loyalty and confidence in the retailer.

For the energy sector:

- potential to contribute to greater trust and confidence in retailers, making customers more likely to seek help earlier, or participate more actively in the energy market, which should support greater trust in the broader energy sector and transition.
- reducing barriers to customer access to and understanding of information could lead to more informed decision making and reduce disputes, disengagement, and discontent.

Costs

There may be some operational and implementation costs to retailers in establishing appropriate systems and processes to implement more tailored engagement practices. This includes processes to ascertain and collect information about a customer's needs, preferences and circumstances, training staff to take a more tailored approach, and resources needed to tailor the engagement response to the customer based on the information known or reasonably known to the retailer. Even though these costs are expected to gradually reduce over time as these practices become embedded into a retailer's standard practice, there is a risk that these additional costs may be passed on to customers.

To mitigate this risk, the AEMC may wish to consider a range of design and implementation strategies that support regulatory certainty and efficient compliance, and that help ensure any benefits of improved engagement are delivered without contributing to increases in consumer bills. We suggest that the issue of costs be further explored through the AEMC's consultation of this rule change request.

Over time, a principles-based engagement framework also has the potential to produce cost saving opportunities, such as reducing ongoing compliance costs caused by frequent rule-checking, audit and advisory costs, and reduced customer churn.

Impacts

Improved communication practices may also strengthen customer trust and confidence in the retail market, encouraging earlier and more constructive interactions between customers and retailers. Over time, this could support better engagement, earlier access to assistance, and more informed decision-making by customers. It would also help to reduce negative impacts of rising customer debt, both for individuals and for the broader electricity system, by preventing debt escalation and the associated operational and financial costs borne by the retailer.

At the same time, introducing a principles-based engagement obligation is likely to increase the level of subjectivity involved in assessing compliance. Customers, retailers and regulators may hold differing views on what constitutes engagement that ‘meets a customer’s needs’ in particular circumstances. This may potentially result in an increased volume of disputes about whether the subjective criteria have been met, particularly in the early stages of implementation.

We suggest that AEMC consider the additional resourcing and training requirements that may be needed for the AER to administer and enforce a more subjective standard. Consideration should also be given to downstream impacts on energy ombudsmen schemes, whose determinations are likely to play a significant role in interpreting the new rule and, over time, establishing the boundaries of the new rule through precedent.

Appendix A: NECF engagement requirements and the issues arising from a lack of customer-centred engagement

Customer touchpoint	Obligation type	Key retailer engagement obligations	NERL/NERR	Issues
Sign-up/ contract formation	1. Requirements for and timing of disclosure for small customers pre-market contract	Explicit informed consent (EIC) required at key decision points such as entering a market contract or customer transfer. NERR rules operationalise and support EIC, including a requirement that: <ul style="list-style-type: none"> Information is to be provided in a single written disclosure statement with information communicated on price, penalties, deposits, billing arrangements and early termination before or after a market retail contract is formed 	NERL s 38-42 NERR r 60-68	Focus is on what must be disclosed, not how customers understand it. No requirements for clarity, accessibility, or comprehension.
	2. Standard and market retail contracts	<ul style="list-style-type: none"> Standard retail contracts are mandated to follow model terms and conditions Market retail contracts must set out all tariffs and charges payable by customer Market retail contract must include information on standard complaints and dispute resolution procedures, including the right to contact the Energy Ombudsman if dissatisfied 	NERR r 12-13, Sch 1 NERR r 46 NERR r 50	Rules emphasise content inclusion rather ensuring it accommodates a customer's diverse literacy/language needs
	3. Contract variation – disclosure requirements	Explicit informed consent required for contract variations of key terms such as: <ul style="list-style-type: none"> Notice on tariff and benefit changes Benefit change notice Tariffs following benefit change Notice of end of fixed term/benefit contract Price change The retailer must give notice to the customer of any variation to the tariffs and charges that affects the customer. Notice must occur at least 5 days prior to variation occur and specify date of variation. 	NERL s 36-38, 46, 46AA*, 48C*, 52A* ³⁰ NERR r 46(3)(4)	Notices to meet content and timing requirements but do not require retailers to assist a customer's understanding (e.g. of price impact) of the content.
Connection	4. Application for customer connection services	<ul style="list-style-type: none"> Sets out procedural rights to request a connection. 	NERR Div 2, r 79.	The procedural right to request a connection does not impose service standards for timeliness, visibility or transparency.
Billing	5. Requirements around bill form,	<ul style="list-style-type: none"> For standard retailer contracts, a retailer must issue a bill to small 	NERR r24	Strong emphasis on timing, content and presentation of bills.

³⁰ * Rules yet to come into force

	content and frequency	<p>customers at least once every 100 days unless otherwise agreed.</p> <ul style="list-style-type: none"> • Retailer must issue bills using actual or estimated data as permitted, managing under and over-charging and present bills in prescribed form and content (including historical usage), complying with the mandatory AER's billing guidelines • <i>AER's Better Bills Guideline (Version 2)</i> (made binding under rule 25A) sets the operative content and presentation obligations, which includes list particulars that must be included in the bill and an obligation for retailers to use simple language, and ensure bills are presented in a way that prioritises customer comprehension. • Retailers required to carry out better offer checks, identify deemed best offers and provide better offer message to small customers with clear and simple instructions on how to switch to better offer. 	<p>NERR r 20-35</p> <p>NERR r25 & r25A <i>AER Better Bills Guideline Part 2 Guideline 10-20</i></p> <p>AER Better Bills Guidelines (Guideline 46, 62)</p>	Lacks a focus on assisting customer comprehension.
	6. Customer-initiated enquiries, complaints & dispute resolution	<ul style="list-style-type: none"> • Retailers must review a bill on request, in accordance with their standard complaints and dispute resolution procedure and notify customer of outcome as soon as reasonably possible. • If a mistake has been made, retailer must adjust the bill in accordance with rule 30-31. • Retailers must inform customers of their right to go to the Energy Ombudsman if dissatisfied after completion of the rule. 	<p>NERR r 29</p> <p>NERR r 29</p> <p>NERR r 50</p>	Process-compliance focus; escalation to an external independent body, only post internal process, which can delay resolution for customers. No explicit timeliness objectives, beyond internal procedures.
Hardship/ payment difficulty	7. Obligations to offer support for customers in hardship and on payment plans	<ul style="list-style-type: none"> • Retailer must, in accordance with the rules, inform a residential customer of the retailer's customer hardship policy where it appears to the retailer that non-payment of the energy bill is due to customer experiencing payment difficulties due to hardship. • A retailer's customer hardship policy (or variation) must comply with customer hardship policy guideline (incl. processes, timeframes and requirements), include a standardised statement according to r 75(A)(2)(b), and contain clear and specific statements of actions the retailer will take to meet the minimum requirements of the customer hardship policy in s44 of the Law. 	<p>NERL s 46</p> <p>NERL s 43, 44 NERR Part 3 r70A-76</p> <p>NERR r 33</p>	<p>Emphasis is on having a hardship policy and process.</p> <p>There are limited measures ensuring early identification, proactive outreach and effectiveness of communicating a customer's right to assistance.</p>

		<ul style="list-style-type: none"> Retailers must offer payment plans to customers experiencing payment difficulties 		
Disconnections	8. Disconnection warning & sequencing	<ul style="list-style-type: none"> Do not de-energise except under Div 2: following the mandated sequence for the disconnection warning period (reminder notice, disconnection notice and final steps) As a final step, retailer must use 'best endeavours' to contact customer in connection to failure to pay/agree to the offer or to adhere to payment plan or instalment arrangement. Additional prohibition in certain circumstances (i.e. hardship, customers on payment plans and life support customers) 	<p>Part 6, Div 2 – NERR r 108-110</p> <p>NERR r 111(e)</p> <p>NERR r 111-116</p>	<p>Focuses on timing and content requirements rather than whether the customer actually received, read or is likely to have understood; the model does not require multi-channel escalation beyond minimums to secure contact in practice</p>
	9. Content requirements for reminder and disconnection warning notice	<ul style="list-style-type: none"> Reminder notice must be issued no earlier than one business day after pay-by-date for bill and must allow a minimum 6 business days to pay, with prescribed particulars. Disconnection warning notice must include prescribed particulars (issue date, reason, end date of warning period, re-energisation process/fees, ombudsman and contact numbers) and allow minimum 5 business days to rectify non-payment and other grounds. 	<p>NERR r 109</p> <p>NERR r 110</p>	<p>Highly content-driven; the rule does not require retailers to test the effectiveness of the notices (e.g., accessibility, language needs), its delivery to customers or whether the communication is tailored to individual customer needs and circumstances.</p>